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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

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MEMORANDUM FOR THE DIRECTOR (Draft for Board Consideration)

SUBJECT: Comment on PB Paper, "Basic US Policy in Relation to Four
Power Negotiations."

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INTRODUCTION

1. The purpose of this memorandum is to elaborate and comment upon the intelligence aspects of the PB draft paper, "Basic US Policy in Relation to Four Power Negotiations," 25 June 1955. In so doing we undertake:

- a. to examine some developments which may have produced the current "conciliatory" phase of Soviet policy;
- b. to state what are the probable Soviet objectives in the phase of negotiations opening with the Summit meeting;
- c. to estimate what are the likely Soviet positions on some of the main issues which will be before the Four Power meetings.

FACTORS MOTIVATING CURRENT SOVIET POLICY

2. The Soviet leaders have tried in a conspicuous way over recent months to give the impression that they are earnestly seeking an improvement in the international atmosphere. They have wanted it believed that they wished to settle issues which have given rise to tension and, above

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all, that they wished to end the costly and dangerous arms race. Their move for an Austrian treaty, their new disarmament proposal of 10 May incorporating many previous Western proposals, the visit to Belgrade to advance the "normalization" of relations with Yugoslavia, and most recently, the approach to Adenauer, have all been interpreted by Soviet propaganda as "deeds" which demonstrate the USSR's desire for a reduction of tensions. At the recent UN session in San Francisco, Molotov took advantage of his appearance in the spotlight of international publicity to underline this point, and to challenge the Western Powers, particularly the US, to demonstrate with deeds of their own that they had a like dedication to peace.

3. We take it for granted that the Soviet leaders have not altered their view that there is an ineradicable hostility between the Communist and free worlds, nor abandoned their purpose to expand the sphere of Communist power where and when they can. There is no evidence in the recent Soviet moves of such a change of heart; none of them has involved concessions of any great cost nor the abandonment of any assets important to the power position of the Bloc. On the other hand, there is evidence that the Communists continue to base their policy on the assumption of "two hostile world camps." This can be seen in the increased Soviet and Satellite arms expenditure, in the pattern of activity carried on by the international Communist movement, and in the continuing virulence of anti-US propaganda intended to sow discord between the US and its allies. What we have been witnessing therefore is a new phase of Soviet policy, not a fundamental change.

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4. There have been a number of developments, some internal to the Bloc, some external, which probably explain why the Soviet leaders decided to launch this present apparently conciliatory phase of their policy. By setting down these developments and evaluating their probable significance for the Soviet leaders, we can lay the basis for an estimate of what their current objectives are and what course they are likely to pursue in the coming negotiations.

Internal Factors

5. The problem of leadership in the USSR apparently continues unresolved. Although Khrushchev seems to have been the most influential figure since the fall of Malenkov, there are strong indications that he does not possess decisive power, and that a "collective" authority obtains among the Presidium members, possibly even in a wider circle. The absence of a dominant figure like Stalin, with all the aura of authority that surrounded him, has raised serious problems for policy-making and administration in the Soviet totalitarian system. It has probably also complicated relations with the Satellites and Communist China. The result has probably been a need to temporize in many aspects of policy and in particular to avoid decisions involving any very high degree of risk.

6. The Soviet leaders have themselves declared that the burden of military expenditures is weighing heavily on their economy, and there seems good reason for taking their expression of concern at face value. The Soviet 1955 military budget showed a substantial increase after a

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two-year period of decline, probably reflecting the enormous cost of the modern weapons systems the USSR is building. If the programs for acquiring a modern air defense, a modern strategic air force, guided missiles, and submarines are pushed forward, along with the modernization of ground forces to adapt them to nuclear warfare, the burden of Soviet military expenditures will increase substantially for a number of years.

7. This rising burden of military costs comes at a time when there are other pressing claims on Soviet resources. The USSR is currently engaged in a major effort to increase agricultural output. We do not estimate that there is now a critical food situation in the USSR. We do believe, however, that the Soviet leaders recognize that, unless they can overcome the near stagnation in agricultural production which has obtained for several years, the pressure of their growing population on the available food supply will within the foreseeable future confront them with a most serious problem. To meet this problem vast new lands are being opened to cultivation. This will require a heavy investment in machinery, transportation, and construction for a number of years.

8. Communist China, and to some extent the Satellites in Eastern Europe, are also claimants on Soviet resources. The USSR is committed to support the military power and assist the industrial growth of China. If the risks of war in the Far East are not reduced, the burden of military aid to China could increase sharply. The Satellite economies have

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been in difficulties in recent years, especially in the field of agriculture, and some may require Soviet aid to push forward with their industrialization. The Satellite military establishments also require extensive and costly modernization.

9. The impact of all these claims on Soviet resources may have reached a point at which it threatens to curtail the future growth of the Soviet economy. In particular, as seen in the USSR's 1955 budget, high levels of military expenditure have the effect of reducing the rate of increase in investment resources. Since a rapid economic growth, and in particular of basic industry, has always been viewed by the Soviet leaders as a primary objective, associated with their desire to "overtake and surpass the capitalist countries", they must view with concern an international situation which forces them to devote a large part of their resources to unproductive military purposes. Therefore, they probably consider it very much in their own interest to obtain a reduction of international tensions which would permit them to reduce and stretch out their military programs.

External Factors

10. The growth in Western military power and in the cohesion of the Western alliance since 1950 have greatly reduced the relative military advantages possessed by the USSR in the early postwar years and have increased the risks of Communist aggression. The more conciliatory tone adopted by the USSR after Stalin's death did not halt this process and its failure to do so may have convinced the Soviet leaders that a

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more active and flexible diplomacy was necessary. The Soviets may feel that only by now making some concessions and settling some issues can they hope to give new impetus to their effort to divide and weaken the Western alliance. (They may, of course, regard this as only an interim phase since within two or three years they may have acquired a nuclear capability approaching that of the US.)

11. We believe that the USSR has wished throughout the cold war period to avoid general war because it recognized that superior Western potential might mean defeat, but there may now be a new ingredient in this attitude in the form of a genuine fear of nuclear war. A belated realization of the consequences of nuclear war, possibly resulting from progress in their own development of nuclear weapons, may have convinced the Soviet leaders, as Western statesmen have already been convinced, that the risks of any major war were now vastly greater than ever before. It is possible that the Soviet leaders recognize that even the growth of the USSR's own nuclear capabilities will not reduce the danger to themselves, and that therefore a reduction of tensions which would reduce the danger of such a war for a long period is desirable.

12. If the Soviet leaders have in fact viewed the growth of Western strength with alarm, and if they are now more keenly aware of the dangers of nuclear war, they must have regarded the situation of mounting tension in the Formosa Strait with real apprehension. The outbreak of even local hostilities there would at least require greater material support to China and might involve great danger of embroiling the USSR

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itself. On the other hand, failure to aid the Chinese in such circumstances would threaten the loss of an alliance which has become an essential element of the USSR's position as a world power.

13. Against the background of all the internal and external developments discussed above, the ratification of the Paris Accords must have seemed to the Soviet leaders to be a major reverse. The rearmament of West Germany, fought so bitterly by Soviet propaganda and diplomacy since 1950, is probably regarded by the Soviet leaders not only as adding substantially to Western strength, but also as increasing the burdens and dangers of the cold war. They probably believe that tensions will increase, and that their own military effort must increase also. As suggested above, the economic consequences of such a development would probably be viewed by the Soviet leaders with great concern.

14. We conclude from the foregoing summary of some of the principal developments which have probably preoccupied the Soviet leaders in recent months that they are probably now genuinely concerned to obtain at least a truce in the cold war. They are motivated perhaps in part by concern that their internal problems would be rendered more acute by possible international developments which would increase tensions, perhaps in part by the belief that an improved international atmosphere would now more effectively serve their persistent aim to divide and weaken the Western Powers.

SOVIET OBJECTIVES IN NEGOTIATIONS

15. The foregoing conclusion, that the USSR does now desire a reduction in tensions, is consistent with all of the four hypotheses

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in the PB paper as to the course which Soviet policy will pursue in the coming negotiations. We believe, however, that Soviet policy at this time is unlikely to be settled exclusively on any one of these four courses, but that all four may figure in a tentative way in the calculations of the Soviet leaders. This point, which is also made in the PB paper, deserves emphasis because (a) Soviet policy is always opportunistic and inclined to accommodate itself to opportunities and necessities as these develop, and (b) because the course which Soviet policy pursues will depend on the development of Western policy, and any or all of the above lines of action could be altered in response to actions the West may take.

16. In support of the general proposition that the USSR is not now committed to follow any one of the four courses outlined, we offer the following comment on them:

- a. The USSR will not alter previous positions in any substantial respect but will engage in maneuvers to bridge a 2-3 year period of marked Soviet military disadvantage. --

We think it is correct that the Soviets wish to gain time to draw even with the US in nuclear capability, but we do not think it necessarily follows that their negotiating position will remain essentially unchanged. They may consider the interim period so hazardous that they would consider a reduction in the risks of war at the price of some concessions as essential. They might also believe that the change in weapons makes a forward

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position in Central Europe manned by conventional forces no longer necessary. Finally, they probably recognize that even if they do acquire nuclear capabilities equal to those of the US, the risks of war to the Communist system would not be reduced, and they may therefore believe that a reduction of tensions would still be essential.

- b. The USSR, in order better to exploit the situation in the Far East, wishes to ease tensions in other areas. --
While such tactics might serve to isolate the US in the Far East and will probably figure in the Soviet approach to negotiations, we believe that the USSR is also concerned to avoid risks of war in Asia. The general motivations which we have adduced as behind current Soviet policy would appear to dictate a relaxation of tensions in the Far East as well as Europe, since the Soviets probably recognize that the problem of world tensions is essentially indivisible. That the Soviets do take this view is supported by some, though by no means firm evidence, that the USSR has tried to exert a moderating influence on Peking in recent months.
- c. The USSR is engaged in "flexible exploration" with a view to settling some issues, but reserves decision on ensuing moves pending outcome of the negotiations. --
We believe that this hypothesis comes nearest to

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describing the most probable Soviet posture. It takes account of the opportunistic and contingent character of Soviet policy referred to in Paragraph 15. In this connection, we think it is important to stress that the limits within which Soviet policy is likely to move will depend on the position taken on particular issues by the Western Powers.

- d. Desiring a substantial and prolonged reduction of tensions, the USSR is willing to alter previous negotiating positions substantially. -- There is thus far, it seems to us, considerably less evidence to support this hypothesis than the previous one. We recognize, of course, that even if the Soviets were prepared to alter their positions substantially they would not disclose this in advance of actual bargaining, but would try to indicate strength by adopting a maximum position. Nevertheless, we doubt that Soviet concern over internal problems or over trends in the world situation has reached the point of willingness to surrender any assets of real importance to the Bloc. We believe that the USSR is determined to obtain what it would regard as an adequate quid pro quo for any concessions it may make, and will not make any unrequited concessions merely to improve the international atmosphere.

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17. We conclude from the foregoing that Soviet tactics in the negotiations will be intended to serve both defensive and offensive purposes:

- a. From a defensive point of view, the primary objective which the USSR is seeking is that of preventing or at least of setting an agreed limit upon West German re-armament. Beyond this, the Soviet negotiators would probably like to obtain security or disarmament agreements which would have the effect of undermining NATO and bringing about a withdrawal of US power from the periphery of the Bloc. From the Soviet point of view, achievement of these objectives would at least reduce the risk of war during an interim period while the USSR is building up its nuclear capability. This in turn would permit the USSR to stretch out its military effort and thus ease the strain on the Soviet economy.
- b. Soviet offensive purposes would be served, if in consequence of a reduction in tensions, the cohesion and vigor of the Western alliance should gradually wane. The Soviets probably calculate that if the cold war seemed to be coming to an end, there would be great reluctance in the West to continue the effort to maintain military strength. There would also be renewed opportunities for political maneuver both in the diplomatic relations of the USSR with certain Western states and in the activities

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of neutralist and pro-Soviet elements within Western states. The effect might be to open up a whole new phase of political warfare in which the USSR could pursue much more effectively its persistent aim to divide and weaken the West.

SOVIET TACTICS AND POSITIONS IN NEGOTIATIONS

18. We believe that the initial Soviet position in the negotiations has already been laid down in the note of 10 May 1955. This is confirmed by Molotov's speech to the UN on 22 June. It seems evident that the USSR wishes to gain the initiative by focusing the talks on its disarmament proposals and its scheme for a security arrangement in Europe. In addition, but secondarily, the Soviets will probably press such issues as Communist China's admission to the UN (probably to result from a separate conference to reduce tensions in the Far East), the need to expand world trade, to ban war propaganda, and to broaden cultural relations.

19. The USSR will probably lay great stress on the disarmament issue and may be prepared to carry out some limited form of agreement in this field. However, the Soviets will almost certainly not accept Western requirements for full freedom of access for international inspectors. We think the USSR would be unlikely to accept even the more limited form of inspection it has itself proposed unless it obtained some substantial concession such as a US withdrawal from bases in Europe and Asia. If the West were willing to accept an arms limitation arrangement without inspection, but providing for agreed levels of armament for

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West Germany and for mutual reduction of occupation forces in Germany, the USSR would probably be prepared to honor the arrangement.

20. The USSR probably hopes to avoid discussion of German reunification, and in particular of the Western plan to accomplish this by free elections, by making its demands for a disarmament and security agreement on its own terms a condition precedent. We believe that the Soviets prefer at this time to continue the division of Germany because they believe that withdrawal from East Germany would endanger the security of their whole position in Eastern Europe and because they do not believe that the West could provide adequate guarantees against the threat of a reunified Germany. They will probably offer to reduce their troops in East Germany to "limited contingents", and at the same time propose interim steps toward unification by way of negotiations between the two Germanies. They probably hope that such an offer will confuse West German opinion, and thereby prevent the Adenauer government from pushing forward its rearmament plans. If such an effect is not achieved, however, we would not exclude the possibility that, at some stage of a prolonged negotiation on Germany, the USSR would agree to German reunification in return for Western pledges to guarantee Eastern Europe against German aggression.

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